

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1523 – HB 1989

April 5, 2011

SUMMARY OF AMENDMENT (005564): Deletes the original bill. Authorizes the Department of Education's (DOE) Achievement School District (ASD) to be a chartering authority for a public charter school. Deletes the eligibility restrictions in current law and opens enrollment in public charter schools to all students residing within a local education agency (LEA). An LEA may also authorize public charter schools to enroll students who do not reside in the LEA's jurisdiction. Requires the chartering authority, if an LEA, to give preference in approval of charter school applications that demonstrate the capability to meet the needs of students who were assigned to or were previously enrolled in, a school failing to make adequate yearly progress (AYP), students who failed to test proficient in the subjects of reading/language arts or mathematics in grades three and eight on the TCAP tests, and students who failed to test proficient in the subjects of reading/language arts or mathematics on the end of course assessments in grades nine through twelve, or students who were eligible for free and reduced lunch. If the chartering authority is the ASD, the ASD shall only accept public charter school applications that demonstrate the capability to meet the needs of the above classifications of students. Authorizes an LEA to convert an eligible public school to a public charter school. Eliminates the cap on the number of public charter schools. Requires the State Board of Education (SBOE) to give written reasons for sending an appealed charter school application back to the local board of education. Removes provisions requiring a lottery and preference requirements when the number of students seeking enrollment exceed the capacity of the public charter school. Authorizes a public charter school's application to be revoked or denied if the school failed to make AYP for two consecutive years. Removes provisions relating to re-enactment of the public charter school law and the adoption of dates and timelines for the submission and processing of public charter school applications. Authorizes the Commissioner of Education to establish rules and regulations for the authorization of public charter schools by the ASD.

FISCAL IMPACT OF ORIGINAL BILL:

(CORRECTED)

Increase State Expenditures – Not Significant

Increase Local Expenditures* - \$4,366,100/FY13-14
\$8,295,600/FY14-15
\$11,788,400/FY15-16
\$14,844,700/FY16-17
\$17,464,300/FY17-18

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\$19,647,400/FY18-19
\$21,393,800/FY19-20
\$22,703,600/FY20-21
\$23,576,800/FY21-22
\$24,013,400/FY22-23 and Subsequent Years

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

Increase Local Revenue – Not Significant/Permissive

Increase Local Expenditures - \$4,366,100/FY13-14
\$8,295,600/FY14-15
\$11,788,400/FY15-16
\$14,844,700/FY16-17
\$17,464,300/FY17-18
\$19,647,400/FY18-19
\$21,393,800/FY19-20
\$22,703,600/FY20-21
\$23,576,800/FY21-22
\$24,013,400/FY22-23 and Subsequent Years*

Assumptions applied to amendment:

- The charter school application and approval process will require significant lead-time.
- Eleven new charter schools are scheduled to open in FY11-12 under current law. One new charter school has been approved to open in FY12-13 under current law. It is assumed that an additional 9 charter schools will open in FY12-13 under current law which will put the total number of charter schools at 40 schools. This bill will remove the current statutory cap of 90 charter schools.
- Other states lifting charter school restrictions have added 9-11 new charter schools per year. Nine new charter schools will open in FY13-14 as a result of this bill. Nine new schools will open each year through FY22-23 as a result of this bill.
- Based on information provided by the Comptroller of the Treasury, the average projected initial charter school enrollment is 128 students per school. These students will transfer from public schools and are not eligible for charter schools under current law. The number of additional charter school students in FY12-13 and each subsequent year through FY21-22 will be 1,152 as a result of this bill.
- Charter schools are funded on a per-pupil basis. The state and local Basic Education Program (BEP) funding for students transferring out of a regular public school into a public charter school will follow the student. Based on the 2010 State Report Card prepared by DOE, the average annual per pupil expenditure in Tennessee, exclusive of

federal dollars, is \$7,580. Of this amount, \$4,159 is state dollars and \$3,421 is local dollars.

- The annual state and local share of the cost of students transferring to charter schools as a result of this bill will be \$8,732,160 ($\$7,580 \times 1,152$). These state and local dollars will follow the students to the charter school.
- Charter school students will continue to be counted as LEA students for the purpose of Average Daily Membership (ADM) calculation under the BEP formula. BEP-formula generated funding will not change as a result of this bill.
- LEAs are authorized to charge a tuition fee for students residing outside the school district. The number of students who will transfer into a public charter school will be small; therefore, any permissive increase in local expenditures will be not significant.
- LEAs will make system-wide adjustments and will redirect or reduce resources in a manner that will partially compensate for the shift of students and funding, but will not be able to reduce teachers and classroom expenditures enough to offset fully the loss of state and local funding shifting to the charter schools. In most cases, there will not be a sufficient reduction in the number of students in any classroom to eliminate a teaching position resulting from that shift. In Davidson County, 1,256 students have moved to charter schools under current law. Davidson County has had no reduction in expenditures from this shift.
- System-wide adjustments resulting from a larger population of charter school students under this bill will create greater flexibility and will allow for some expenditure reductions that are not possible under current law. These system-wide adjustments will compensate for 50 percent of the funding shift to charter schools. LEAs will maintain teachers and resources for the remaining 50 percent of the state and local funding shift and will increase expenditures in the amount of \$4,366,080 ($\$8,732,160 \times 50\%$) in FY13-14.
- The system-wide adjustments will compensate for an additional 2.5 percent each year resulting in a total 72.5 percent in FY22-23 and subsequent years.
- The increase in local expenditures for FY14-15 through FY22-23 will be as follows:
 - FY14-15: \$8,295,552 [$(\$8,732,160 \times 2) \times 47.5\%$]
 - FY15-16: \$11,788,416 [$(\$8,732,160 \times 3) \times 45\%$]
 - FY16-17: \$14,844,672 [$(\$8,732,160 \times 4) \times 42.5\%$]
 - FY17-18: \$17,464,320 [$(\$8,732,160 \times 5) \times 40\%$]
 - FY18-19: \$19,647,360 [$(\$8,732,160 \times 6) \times 37.5\%$]
 - FY19-20: \$21,393,792 [$(\$8,732,160 \times 7) \times 35\%$]
 - FY20-21: \$22,703,616 [$(\$8,732,160 \times 8) \times 32.5\%$]
 - FY21-22: \$23,576,832 [$(\$8,732,160 \times 9) \times 30\%$]
 - FY22-23 and subsequent years: \$24,013,440 [$(\$8,732,160 \times 10) \times 27.5\%$]
- In FY22-23, it is assumed that equilibrium will be reached and the net number of charter schools will not change in subsequent years.
- No increase in the BEP funding formula.
- Any increase in state expenditures for the SBOE to send out written reasoning will be not significant.

- Setting preferences to be given in charter school application authorizations will have no fiscal impact on state or local government.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

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